

State Notes

TOPICS OF LEGISLATIVE INTEREST

March/April 2007



Department of Information Technology: Appropriations and Expenditures **By Stephanie Yu, Fiscal Analyst**

The Department of Information Technology (DIT) was created by Executive Order 2001-3 by then Governor Engler in October 2001. No additional funding was provided to support DIT. Instead, funds from existing appropriations within State departments and agencies were shifted to DIT as a series of interdepartmental grants. Each department has a line item in its budget for information technology services and projects, the sum of which constitutes DIT's total appropriation. That structure remains in place, and overall changes to DIT's budget are generally spread across departments, although certain projects can be targeted.

The Department of Information Technology is responsible for the information technology needs of the Executive Branch and its departments and agencies. These include 55,000 computers, 2,300 servers, and 25,000 telephone lines. The Department is also responsible for the security of the entire system and faces the threat of 8,400 e-mail viruses daily. In its short history, the total budget for DIT has varied from over \$500.0 million to \$360.0 million.

Since the creation of DIT, the amounts DIT has charged to other departments and agencies for information technology (IT) services have exceeded the amounts appropriated to DIT by considerable margins. Individual departments retain considerable control over the funds marked in their budgets for DIT, and a number of projects and services are not included in DIT's appropriation. The discrepancy between amounts appropriated and funds spent is explained in the final section of the article, "Appropriations vs. Expenditures".

Budget History

Fiscal Year (FY) 2002-03 was the first year DIT was included in the General Government appropriation bill. The total appropriation for the Department was \$503,086,800. The initial appropriation for FY 2003-04 was \$360,239,300. A supplemental appropriation brought the total to \$371,269,300. The initial appropriation for FY 2004-05 was \$360,738,600. A supplemental appropriation increased the interdepartmental grant (IDG) from the Department of State Police by \$1,304,100. Executive Order 2005-7 required \$4.34 million in reductions of user fees and service charges to other departments, as well as \$2.06 million in savings through expenditure reductions under the Master Computing Contract. Total savings of \$10,876,800 were achieved.

For FY 2005-06, \$365,194,400 was appropriated to DIT. Public Act 153 of 2006 made adjustments totaling \$19.5 million to the DIT budget to align the appropriation with the departmental authorizations, for a year-end total appropriation of \$384.7 million. In FY 2006-07, the DIT budget began the fiscal year at \$378,222,000, but Executive Order 2007-3 reduced it to approximately \$369.0 million. Reductions to DIT included statewide cuts of \$47,000 and retirement savings of \$5.8 million, as well as \$75,000 in administrative efficiencies in the Michigan Administrative Information Network (MAIN) and delayed projects in the Department of Human Services. Table 1 shows the gross appropriation by year, and Table 2 shows the total appropriation by department. The inconsistency between the two tables reflects the discrepancy in appropriations to DIT and IT appropriations in other departments.

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Table 1

Gross Appropriations to the Department Of Information Technology					
Year	Enacted Budget	Supplementals	Transfers	Reductions	YTD Total
2002-03	\$424,006,800	\$41,588,700	\$37,491,300		\$503,086,800
2003-04	360,239,300	11,030,000			371,269,300
2004-05	360,738,600	3,996,600		(10,876,800) ^{a)}	353,858,400
2005-06	365,194,400	19,512,300			384,706,700
2006-07	378,222,000			(3,171,400) ^{b)}	375,050,000
^{a)} EO 2005-7 required reductions to the DIT budget. Total savings of \$10,876,800 were achieved.					
^{b)} EO 2007-3 contained reductions to IT in various departments.					

Table 2

Year-To-Date Gross Appropriations to the Department of Information Technology by Department					
Department	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Agriculture	\$1,884,100	\$1,515,700	\$823,200	\$1,469,600	\$1,536,600
Attorney General	859,400	773,600	773,600	701,900	738,100
Career Development	6,492,700	---	---	---	---
Civil Rights	1,082,000	786,200	786,200	754,600	779,800
Civil Service	3,317,600	3,827,000	3,827,000	3,788,400	3,817,800
Community Health	35,173,100	29,751,900	29,751,900	30,468,800	31,424,400
Consumer & Industry Services	26,067,300	---	---	---	---
Corrections	15,524,700	13,822,000	13,822,000	14,076,000	16,612,700
Education	3,183,200	2,489,800	2,489,800	2,532,900	2,611,400
Environmental Quality	7,200,200	6,632,500	6,632,500	6,607,700	6,809,700
Gaming Control Board	---	1,100,600	1,100,600	1,143,500	1,286,000
History, Arts, & Libraries	1,166,100	926,300	926,300	790,700	945,700
Human Services ^{b)}	226,719,000	128,618,300	122,922,300	151,396,600	132,706,100
Labor & Economic Growth	---	42,159,400	42,159,400	42,486,200	43,188,500
Lottery	---	4,236,700	4,236,700	4,397,000	4,421,500
Management & Budget	27,816,200	24,433,200	24,433,200	27,268,900	28,433,600
Military & Veterans Affairs	1,230,800	1,159,400	1,159,400	1,119,200	1,161,100
Natural Resources	15,492,200	8,557,700	8,557,700	8,704,200	9,001,500
State	20,928,600	21,885,300	21,885,300	22,188,500	23,626,900
State Police	22,067,800	21,999,000	21,999,000	21,529,100	21,026,500
Transportation	26,396,400	26,827,300	26,827,300	27,000,000	27,826,500
Treasury	23,102,400	16,052,500	16,052,500	16,282,900	16,720,600
Total	\$465,703,800	\$353,858,400	\$351,165,900	\$384,706,700	\$374,675,000^{a)}
^{a)} This total does not reflect \$5.8 million in retirement savings in Executive Order 2007-3, since the distribution across departments is unknown. That adjusted total would be \$368.9 million.					
^{b)} Formerly named Family Independence Agency.					



Required Reporting

As required in previous years, Section 578 of the Omnibus appropriation bill (Public Act 345 of 2006) requires DIT to submit a report by March 1 for the preceding fiscal year to the General Government subcommittees of both houses. The report must include:

- (a) the total amount of funding appropriated for information technology services and projects, by funding source, for all principal executive departments and agencies;
- (b) a listing of the expenditures made from the amounts received by the Department of Information Technology, as reported in subdivision (a).

Fiscal Year 2002-03

The report for FY 2002-03 indicated that DIT invoiced other departments a total of \$494,458,416.07. The total amount appropriated at fiscal year-end was \$465,703,800, a difference of \$28,754,616. Table 3 shows that difference by department.

Table 3 Department of Information Technology Appropriations and Amounts Invoiced FY 2002-03			
Department	FY 2002-03 YTD Appropriation	Total Expenditures	Difference
Agriculture	\$1,884,100	\$2,765,743	\$881,643
Attorney General	859,400	916,320	56,920
Career Development	6,492,700	6,033,944	(458,756)
Civil Rights	1,082,000	831,714	(250,286)
Civil Service	3,317,600	1,775,836	(1,541,764)
Community Health	35,173,100	45,232,181	10,059,081
Consumer & Industry Services	26,067,300	45,441,797	19,374,497
Corrections	15,524,700	19,827,582	4,302,882
Education	3,183,200	5,514,576	2,331,376
Environmental Quality	7,200,200	8,784,531	1,584,331
Family Independence Agency	226,719,000	218,036,815	(8,682,185)
History, Arts, & Libraries	1,166,100	970,575	(195,525)
Management & Budget	27,816,200	27,265,807	(550,393)
Military & Veterans Affairs	1,230,800	1,009,171	(221,629)
Natural Resources	15,492,200	17,144,594	1,652,394
State	20,928,600	18,630,012	(2,298,588)
State Police	22,067,800	23,996,437	1,928,637
Transportation	26,396,400	23,511,395	(2,885,005)
Treasury	23,102,400	26,769,385	3,666,985
Total	\$465,703,800	\$494,458,416	\$28,754,616



Fiscal Year 2003-04

For FY 2003-04, the Department modified its report to show total expenditures by category and department. Total expenditures exceeded total appropriations of \$353,858,400 for the year by \$131,894,980. Table 4 shows that comparison by department. The Department of Information Technology spent less than the amount appropriated for the Departments of Civil Service, Military and Veterans Affairs, and State. Department of Information Technology expenditures for all remaining departments exceeded those appropriations.

Table 4
Department of Information Technology
Expenditures and Appropriations
FY 2003-04

Agency	YTD Appropriations	Total Expenditures	Difference
Agriculture	\$1,515,700	\$3,352,124	\$1,836,424
Attorney General	773,600	2,031,559	1,257,959
Civil Rights	786,200	865,017	78,817
Civil Service	3,827,000	3,061,176	(765,824)
Community Health	29,751,900	45,501,662	15,749,762
Corrections	13,822,000	20,107,250	6,285,250
Education	2,489,800	7,542,813	5,053,013
Environmental Quality	6,632,500	9,766,070	3,133,570
Family Independence Agency	128,618,300	142,169,824	13,551,524
Gaming Control Board	1,100,600	2,499,095	1,398,495
History, Arts, & Libraries	926,300	1,247,666	321,366
Labor & Economic Growth	42,159,400	52,890,422	10,731,022
Lottery	4,236,700	39,020,550	34,783,850
Management & Budget	24,433,200	30,747,935	6,314,735
Military & Veterans Affairs	1,159,400	1,118,102	(41,298)
Natural Resources	8,557,700	19,189,302	10,631,602
State	21,885,300	20,557,182	(1,328,118)
State Police	21,999,000	31,451,386	9,452,386
Transportation	26,827,300	30,955,203	4,127,903
Treasury	16,052,500	21,679,042	5,626,542
Total	\$353,858,400	\$485,753,380	\$131,894,980

Fiscal Year 2004-05

The Department of Information Technology's expenditures for FY 2004-05 totaled \$441,608,516. The Department's total appropriation for the year was \$351,165,900, a difference of \$90,442,616, as detailed by department in Table 5. The Departments of Civil Service and Human Services did not exceed their appropriations; the remaining departments did.

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Table 5
Department of Information Technology
Expenditures and Appropriations
FY 2004-05

Agency	YTD Appropriations	Total Expenditures	Difference
Agriculture	\$823,200	\$2,964,872	\$2,141,672
Attorney General	773,600	2,118,930	1,345,330
Civil Rights	786,200	837,352	51,152
Civil Service	3,827,000	3,081,748	(745,252)
Community Health	29,751,900	37,652,140	7,900,240
Corrections	13,822,000	18,498,727	4,676,727
Education	2,489,800	4,656,938	2,167,138
Environmental Quality	6,632,500	8,850,611	2,218,111
Gaming Control Board	1,100,600	2,041,829	941,229
History, Arts, & Libraries	926,300	1,163,898	237,598
Human Services	122,922,300	116,935,680	(5,986,620)
Labor & Economic Growth	42,159,400	52,135,540	9,976,140
Lottery	4,236,700	41,360,563	37,123,863
Management & Budget	24,433,200	26,980,301	2,547,101
Military & Veterans Affairs	1,159,400	1,259,817	100,417
Natural Resources	8,557,700	16,419,158	7,861,458
State	21,885,300	22,573,530	688,230
State Police	21,999,000	32,643,673	10,644,673
Transportation	26,827,300	28,776,580	1,949,280
Treasury	16,052,500	20,656,629	4,604,129
Total	\$351,165,900	\$441,608,516	\$90,442,616

Fiscal Year 2005-06

Department of Information Technology expenditures for FY 2005-06 totaled \$494,804,483. Amounts appropriated in the DIT budget totaled \$384,706,700. [Table 6](#) shows the difference by department. The Department reported an additional \$66.0 million appropriated in other departments' non-IT line items, as well as \$36.4 million in prior-year funds. Departments can use authorization in other line items to pay DIT user fees, but do not have to specify which line items.



Table 6

Department of Information Technology Expenditures and Appropriations Fiscal Year 2005-06			
Agency	YTD DIT Appropriations	Total Expenditures	Difference
Agriculture	\$1,469,600	\$2,695,252	\$1,225,652
Attorney General	701,900	2,825,143	2,123,243
Civil Rights	754,600	851,923	97,323
Civil Service	3,788,400	3,464,258	(324,142)
Community Health	30,468,800	40,155,605	9,686,805
Corrections	14,076,000	21,114,035	7,038,035
Education	2,532,900	6,159,684	3,626,784
Environmental Quality	6,607,700	8,873,238	2,265,538
Gaming Control Board	1,143,500	1,996,080	852,580
History, Arts, & Libraries	790,700	1,134,546	343,846
Human Services	151,396,600	142,911,056	(8,485,544)
Labor & Economic Growth	42,486,200	56,480,737	13,994,537
Lottery	4,397,000	43,891,534	39,494,534
Management & Budget	27,268,900	28,648,202	1,379,302
Military & Veterans Affairs	1,119,200	1,287,295	168,095
Natural Resources	8,704,200	16,654,605	7,950,405
State	22,188,500	31,086,635	8,898,135
State Police	21,529,100	31,476,397	9,947,297
Transportation	27,000,000	30,954,863	3,954,863
Treasury	16,282,900	22,143,394	5,860,494
Total	\$384,706,700	\$494,804,482	\$110,097,782

Fiscal Year 2005-06 Overexpenditures

In fiscal year 2005-06, the Departments of Corrections and State Police had net overexpenditures in their budgets. Both departments overspent their information technology line items, the Department of Corrections by \$2.2 million, and State Police by \$1.7 million. Public Act 3 of 2007 made supplemental appropriations to cover the shortfall. In March 2007, the structure of DIT funding allows individual departments to transfer to and from the information technology line item with or without the agreement of DIT, although DIT was aware of the shortfall in these departments before the end of the fiscal year.

Appropriations vs Expenditures

Since the creation of DIT in 2001, the amounts charged to other departments and agencies have exceeded the amounts appropriated to DIT by considerable margins, though FY 2005-06 was the first year departments officially overspent their IT line items. The Department of

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Information Technology provides information with its invoices that explains the breakdown of the various charges and reviews those charges monthly with the departments or agencies. Throughout the budget planning process and the fiscal year, DIT works with the departments to provide the services requested and to provide advice on information technology (IT) needs. Despite these efforts at cooperation, departments can adjust their IT line items, and often do, without similar adjustments made to the DIT appropriations. As a result, the DIT appropriations and the line items in individual departments often do not match at the end of the fiscal year, and as in FY 2005-06, this fluidity in what is included in the line item can lead to significant and unpredictable discrepancies in what is appropriated and what is spent.

The Department of Information Technology states that a portion of the discrepancy between appropriations and expenditures stems from the fact that telecommunications services are not included in the IT appropriations but are managed by the Department, although that is not consistent across departments. The Department of Management and Budget (DMB) maintained telecommunications services as an internal service fund until 2001, when it was transferred to DIT. It remains an internal service fund, charging each department for usage. Also, it varies whether the authorization for many other DIT services appears in the DIT budget.

Beginning with fiscal year 2005-06, DIT's expenditure report has included appropriation funds that are not included in the IT line items. The Department reported an additional \$66.0 million that was appropriated for DIT services in other line items, but the Department does not receive any detail regarding the individual fund sources, although it does track Federal and State spending broadly. The Department of Information Technology and the departments or agencies being served work together to develop individual IT plans, but this is not reflected in the way DIT is appropriated. Since FY 2003-04, the difference between what is appropriated in the DIT budget and what is spent by the Department has ranged from \$90.0 million to \$130.0 million. These expenditures constitute a significant portion of total expenditures, between 20.0% and 30.0% per year. The departments, along with DIT, track the funds that are not included in the IT line items, but those amounts are rolled up in other line items and not transparent in the appropriations process.

The structure of DIT funding is complicated, and there are a number of projects and services that are not included in DIT's appropriations. The ability of departments to transfer to and from that line item, thus affecting the DIT budget, adds an additional layer of complexity. As demonstrated in the FY 2005-06 overexpenditures, individual departments retain considerable control over funds marked for DIT. The number of services that DIT provides outside its appropriation distorts the true picture of DIT expenditures, which significantly exceed that appropriation.